

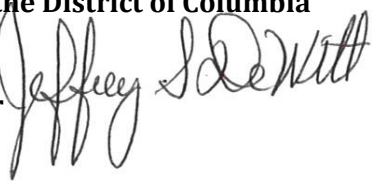
Government of the District of Columbia  
Office of the Chief Financial Officer



**Jeff DeWitt**  
Chief Financial Officer

**MEMORANDUM**

**TO:** The Honorable Phil Mendelson  
Chairman, Council of the District of Columbia

**FROM:** Jeff DeWitt  
Chief Financial Officer 

**DATE:** November 18, 2014

**SUBJECT:** Fiscal Impact Statement – Urban Farming and Food Security  
Amendment Act of 2014

**REFERENCE:** Bill 20-677, Draft Committee Print as shared with the Office of Revenue  
Analysis on November 14, 2014

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**Conclusion**

Funds are not sufficient in the FY 2015 through FY 2018 budget and financial plan to implement the bill. Implementation of the bill will cost \$870,000 in FY 2015 and \$7.2 million over the four-year financial plan period.

**Background**

The bill establishes new programs and authorizes tax incentives to promote urban farming on vacant lands in the District and to encourage food commodity<sup>1</sup> donations to a food bank or shelter. The Urban Farming and Gardens Program (“Program”) established by the bill would be the central entity implementing the new programs including the land leasing initiative, and community outreach efforts to promote access to vacant public and private lots for urban farming and community gardens.

The bill requires the Program to establish a land leasing initiative whereby the District identifies at least twenty-five vacant District owned properties to lease as urban farms. The properties must be at least 2,500 square feet, have soil suitable for farming,<sup>2</sup> and not be subject to any pending development or sale agreements. To be eligible to apply for a lease of one of the District-owned properties, the applicant must be a District resident for at least one year, have at least one year of

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<sup>1</sup> The bill defines food commodities as vegetables, fruits, grains, mushrooms, honey, herbs, nuts, seeds, or rootstock grown in the District by urban farming or by a community garden.

<sup>2</sup> This District is required to test the soil and validate that it is free from contaminants and safe to grow food.

agricultural production experience, and otherwise be eligible to do business in the District.<sup>3</sup> A successful applicant would be able to lease the property for at least three years and the property would be exempt from any real property or possessory interest<sup>4</sup> taxes. The Mayor must annually report to Council on the status of the land leasing initiative.

The bill authorizes two tax incentives. First, the bill provides a tax incentive to encourage private property owners to lease or make available vacant lands they own for agricultural uses, including urban farms and community gardens.<sup>5</sup> Any property owner who does this would receive a real property tax abatement of 90 percent of tax due. The property must be at least 2,500 square feet,<sup>6</sup> have soil suitable for agricultural uses, and, if a lease is involved, have a lease term of at least three years.

Second, the bill provides a nonrefundable farm to food donation income tax credit for any individual or business that donates the food commodities from an urban farm to a tax-exempt District food bank or shelter. For all taxpayers, the value of the credit is 50 percent of the value of the contribution, the food commodity must be fit for human consumption, and the taxpayer must provide the appropriate documentation as required by the Office of the Chief Financial Officer. The maximum credit for individuals is \$2,500 per tax year and can be carried forward for up to five years if the credit exceeds the taxpayer's liability in a given year. The maximum credit for corporations and unincorporated businesses is \$5,000 per tax year.

Finally, the bill requires that community garden projects be included as potential work sites for the District's Summer Youth Employment Program. The Urban Farming and Gardens Program is also directed to work with the University of the District of Columbia's Cooperative Extension Services for technical assistance, and work with the Office of the State Superintendent of Education on developing educational programs.

### **Financial Plan Impact**

Funds not are sufficient in the FY 2015 through FY 2018 budget and financial plan to implement the bill.

The Mayor will require one additional staff member and start-up resources to implement the urban farming and community gardens program and the land leasing initiative. The one staff member will cost \$59,000 in FY 2015 and \$250,000 over the four-year financial plan period. The start-up costs, such as soil testing and ensuring water access will cost \$324,000 in FY 2015.

District law requires that a lessee of District-owned property pay a possessory interest tax, which is the equivalent of real property taxes on the property. Exempting lessees from this tax will cost \$487,000 in FY 2015 and \$4.1 million over the four-year financial plan period. The 90 percent property tax abatement for private property owners begins in FY 2016 and will cost \$2 million over the four-year financial plan period. This cost assumes that the private market will match the land leasing initiative with twenty-five urban farms or community gardens on private lots. The farm to food donation credit begins in tax year 2016 and will cost \$500,000 over the four-year financial

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<sup>3</sup> This includes owing the District more than \$100 in fines, penalties, interest, or taxes.

<sup>4</sup> D.C. Official Code § 47-1005.01.

<sup>5</sup> Properties used for community gardens do not have to meet the 2,500 square foot threshold.

<sup>6</sup> The entire portion of the land receiving the tax abatement must be used for agricultural purposes.

The Honorable Phil Mendelson

FIS: Bill 20-677, "Urban Farming and Food Security Amendment Act of 2014," Draft Committee Print as shared with the Office of Revenue Analysis on November 14, 2014

plan period.<sup>7</sup> The combined tax incentives will cost the District \$487,000 in FY 2015 and \$6.6 million over the four-year financial plan period.

<b>Urban Farming and Food Security Amendment Act of 2014</b>					
<b>Cost of Bill 20-677</b>					
<b>FY 2015 – FY 2018</b>					
<b>(\$000s)</b>					
	<b>FY 2015</b>	<b>FY 2016</b>	<b>FY 2017</b>	<b>FY 2018</b>	<b>Total</b>
Personnel	\$59	\$61	\$64	\$66	\$250
Operating Costs <sup>a</sup>	\$324	\$0	\$0	\$0	\$324
Tax Incentives <sup>b</sup>	\$487	\$1,814	\$2,126	\$2,190	\$6,617
<b>Total Costs</b>	<b>\$870</b>	<b>\$1,875</b>	<b>\$2,190</b>	<b>\$2,256</b>	<b>\$7,191</b>

Table Notes

<sup>a</sup> Includes soil testing and water access at 25 District-owned lots.

<sup>b</sup> Possessory interest taxes on District-owned properties will be forgone when the leases begin – estimated to be May 2015; real property tax abatements will begin in FY 2016; and the first income tax credits will be requested in FY 2017 for tax year 2016.

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<sup>7</sup> The underlying assumption is that all fifty urban farming lots will be leased by corporations and they will take the maximum \$5,000 credit.